BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE



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| IN THE MATTER OF INTEGRATED RESOURCE PLANNING FOR THE PROVISION OF STANDARD OFFER SERVICE BY DELMARVA POWER & LIGHT COMPANY UNDER 26 Del. C. § 1007(c) & (d): REVIEW AND APPROVAL OF THE REQUEST FOR PROPOSALS FOR THE CONSTRUCTION OF NEW GENERATION RESOURCES UNDER 26 Del. C. § 1007(d) (OPENED JULY 25, 2006) | ) | PSC Docket No. 06-241 |

**COMMENTS OF THE DELAWARE ENERGY USERS GROUP**
**ON THE PROPOSED TERMS SHEETS AND STAFF REPORT**

These comments are submitted by the Delaware Energy Users Group ("DEUG") pursuant to the Public Service Commission's ("Commission's") Order No. 7277, issued in this matter on September 14, 2007.

DEUG represents the largest industrial customers of Delmarva Power & Light Company ("Delmarva"), including E. I. du Pont de Nemours and Company, General Motors Corp, Daimler Chrysler, Perdue Farms, Burris Logistics and FMC Corporation. The members of DEUG are not only among the most sizable users of electricity in Delaware, but also some of the biggest employers in the state. Consequently, DEUG has a critical interest in this proceeding, and urges the Commission and other State Agencies to accept the recommendation of PSC Staff to reject the term sheets that have been submitted by Bluewater Wind, LLC ("Bluewater"), Conectiv Energy Supply, Inc ("Conectiv") and NRG Energy, Inc. ("NRG"), and not to direct Delmarva Power & Light Company ("Delmarva") to enter into Purchase Power Agreements with any of them.

DEUG previously filed Comments in this docket addressing the bid evaluation reports that were submitted following the original bids by Bluewater, Conectiv and NRG. As DEUG pointed out at that time, the relevant statute, 26 Del. C. § 1007(d), does not require that the State Agencies approve any proposal, and does not evidence any legislative intent that the "build option" should be favored. It merely identifies a number of different factors that should be considered, and then provides that the State Agencies "may determine" to approve one or more, to the extent that such proposals "result in the greatest long-term system benefits . . . in the most cost-effective manner." (26 Del. C. § 1007(d)(3).) If none of the proposals would result in cost-effective, long-term system benefits, then none of them should be approved.

Moreover, as DEUG previously noted, the RFP process must necessarily be considered in the greater context of the IRP process. In fact, RFP statute begins with these words: "As part of the initial IRP process, . . . ." (26 Del. C. § 1007(d).) The IRP requirement is established by the preceding subsection of the statute, found at 26 Del. C. § 1007(c). Clearly, the principal purpose of the IRP process is to require Delmarva "to meet its customers' needs at a minimal cost." (26 Del. C. § 1007(c)(1).) Although the other factors listed in the RFP statute must also be considered in the IRP process, ultimately Delmarva is directed to investigate all potential opportunities to diversify its supply "at the lowest reasonable cost." (26 Del. C. § 1007(c)(1)b.) Both the language of the statute, and the context in which it was enacted, leave no doubt that the principal objective of both the IRP process and the RFP process is to reduce costs in order to address the steep rate increases recently experienced by electric customers. The approval of any new generation project that would increase costs would stand the statute on its head.

The principal issue, and the one that should control the State Agencies' decision at this stage of the process, is the effect that the proposed generation projects would have on the rates that customers in Delaware pay for their electric service. As the PSC Staff now recognizes, the high costs of the projects now being proposed would have an impact on SOS rates that is clearly unacceptable.

The bids that were originally submitted by Bluewater, Conectiv and NRG would have raised rates, and consequently those bids needed to be rejected. The intervening process provided an opportunity to develop a better project that would lower prices. Instead, however, it has resulted in proposals that would both increase prices dramatically and shift the risk of further price increases onto the ratepayers. It has also significantly delayed the timing of any possible hybrid project. As the Staff Report concludes, "the PPA negotiations actually yielded a more expensive, less favorable project." (Staff Report, p. 24.)

The hybrid project now being proposed simply does not make economic sense for Delaware. Now is not the time, in light of the serious adverse impacts already resulting from increased energy costs, to commit the ratepayers of Delaware to even higher costs unnecessarily. There are other and better options. For example, the PJM Interconnection has very recently approved a major transmission project that should bring lower prices and greater reliability to customers in Delaware. It will be a shame if those benefits are lost because Delaware's SOS customers are saddled with an ill advised, high cost project such as the one now being considered.

In order for the economy of the State of Delaware to remain healthy, it is essential that its industry remain competitive; and for industrial customers to remain competitive it is essential that they be able to obtain power at fair and reasonable rates. The principal objective of the Electric Utility Retail Customer Supply Act of 2006 ("EURCSA") was to provide a process to help ensure that rates are reasonable, and to ameliorate the marketplace in response to recent high cost levels. The hybrid project that is now being proposed would pervert the statute and would constitute a serious disservice to the ratepayers of Delaware.

Respectfully submitted,

DELAWARE ENERGY USERS GROUP

Michael J. Quinan, Esq.
Christian & Barton, L.L.P.
909 East Main Street
Richmond, VA 23219-3095
Phone: 804-697-4149
Fax: 804-697-6149
mquinan@cblaw.com

Counsel for the Delaware Energy Users Group
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#842770